

# ***Participation Rate Index Appeal***

## *Chapter 4.8*

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# Participation Rate Index Appeal

## What is a participation rate index appeal?

A school is not subject to a sanction based on its cohort default rates if its participation rate index is 0.0375 or less (for a sanction based on three consecutive cohort default rates of 25.0 percent or greater) or 0.06015 or less (for a sanction based on one cohort default rate over 40.0 percent). In other words, if a school can demonstrate that the number of students who obtain loans is very low in relation to the number of regular students at the school, the school will be able to avoid sanction.

Figure 4.8.1 shows the time frame for submitting a participation rate index appeal.

## Which cohort default rate can be used to determine a participation rate index appeal?

A school can submit a participation rate index appeal for any cohort default rates upon which a sanction is based, depending on the sanction to which the school is subject. For example, take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

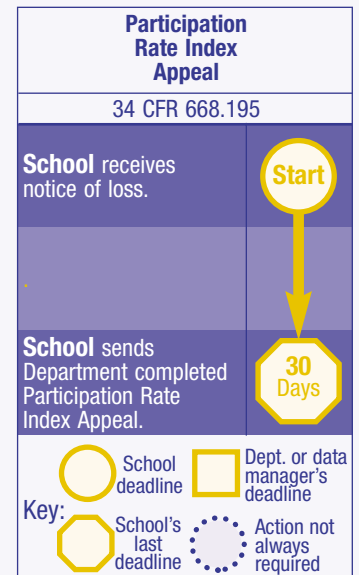
If a school is subject to sanction due to three consecutive years of an official cohort default rate that is 25.0 percent or greater, the school can submit a participation rate index appeal based on the official cohort default rate for This Year, Last Year, and/or Two Years Ago. If the sanction is due to an official cohort default rate for This Year that is greater than 40.0 percent, the school can submit a participation rate index appeal based on the official cohort default rate for This Year. Figure 4.8.2 summarizes the cohort default rates a school can use to submit a participation rate index appeal.

Nature of Sanction	This Year	Last Year	Two Years Ago
Three consecutive years of cohort default rates that are 25.0 percent or greater	Yes – Official Cohort Default Rate	Yes – Official Cohort Default Rate	Yes – Official Cohort Default Rate
Current cohort default rate that is greater than 40.0 percent	Yes – Official Cohort Default Rate	No	No

34 CFR 668.195

**Figure 4.8.1**

Time Frame for Submitting a Participation Rate Index Appeal



**Figure 4.8.2**

Cohort Default Rates a School Can Use to Submit a Participation Rate Index Appeal

**Which schools are eligible to submit a participation rate index appeal?**

Only a school that is subject to sanction because of its official cohort default rate may submit a participation rate index appeal. To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

**What benefit will a school gain from submitting a participation rate index appeal?**

The U.S. Department of Education (the Department) will withdraw a notice of loss of eligibility for a school that submits a successful participation rate index appeal. If a school's participation rate index is 0.0375 or less, the Department will also excuse the school from any subsequent loss of eligibility that would be based on that cohort default rate.

**Are participation rate index appeals based on a specific period of time?**

The school may base the participation rate index appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the participation rate index appeal. A school subject to sanction because of three consecutive cohort default rates of 25.0 percent or greater can choose to submit a participation rate index appeal based on any of its three most recent official cohort default rates. Therefore, the time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
1998	10/01/1997	04/02/1996 - 10/01/1996	04/01/1997 - 09/30/1997
1999	10/01/1998	04/02/1997 - 10/01/1997	04/01/1998 - 09/30/1998
2000	10/01/1999	04/02/1998 - 10/01/1998	04/01/1999 - 09/30/1999
2001	10/01/2000	04/02/1999 - 10/01/1999	04/01/2000 - 09/30/2000
2002	10/01/2001	04/02/2000 - 10/01/2000	04/01/2001 - 09/30/2001
2003	10/01/2002	04/02/2001 - 10/01/2001	04/01/2002 - 09/30/2002
2004	10/01/2003	04/02/2002 - 10/01/2002	04/01/2003 - 09/30/2003
2005	10/01/2004	04/02/2003 - 10/01/2003	04/01/2004 - 09/30/2004

Figure 4.8.3 is a chart that can be used to determine an acceptable 12-month period. To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column. Figure 4.8.4 shows an acceptable and some unacceptable 12-month periods for cohort FY 2001.

**Figure 4.8.3**

Date Ranges for Acceptable 12-Month Periods

12-Month Period	Status	Reason
04/02/1999-04/01/2000	Acceptable	Starts within acceptable range; ends 12 months later within acceptable range
04/02/1999-04/02/2000	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/1999-03/31/2000	Unacceptable	Starts and ends outside acceptable range

**Figure 4.8.4**

Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001

A school can select the most beneficial 12-month period available. In other words, a school can identify the acceptable 12-month period during which it had the lowest percentage of borrowers and use that period when calculating its participation rate index.

If a school selects an unacceptable 12-month period, Default Management will not review any portion of the school's participation rate index appeal and the participation rate index appeal will be denied and returned to the school. A school may contact Default Management at 1-202-708-9396 to discuss whether the school has selected an acceptable 12-month period.

### How does a school calculate its participation rate index?

After selecting the 12-month period, the school determines the total number of regular students enrolled at least half time and for at least one day during any part of the 12-month period. It is not necessary for the student's entire enrollment period to fall within the 12-month period. The total number of students is the denominator. The school then determines the total number of those students who borrowed a Federal Family Education Loan (FFEL) or William D. Ford Federal Direct Loan (Direct Loan) for a loan period that overlaps any part of the 12-month period. The total number of borrowers is the numerator.

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}}$$

A regular student is a student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school. To be included in the participation rate index calculation, the borrower must be a student who was enrolled at least half-time and enrolled at least one day during the selected 12-month period.

Once the school has divided the total number of FFEL and Direct Loan borrowers by the total number of regular students, the school multiplies the result by the cohort default rate upon which the school is basing the participation rate index appeal. The result is the participation rate index. A participation rate index is calculated as follows:

$$\left( \frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}} \right) \times \text{School's cohort default rate} = \text{Participation Rate Index}$$

If a school has fewer than 30 borrowers who entered repayment in the cohort fiscal year for which the participation rate index is calculated, the participation rate index for that cohort fiscal year may be calculated using either

- ❖ the cohort default rate that would result from applying the non-average rate formula or
- ❖ the cohort default rate that would result from applying the average rate formula.

See Chapter 2.1, "Calculating Cohort Default Rates," for information on the formulas used to calculate cohort default rates.

To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

For example, School A's official cohort default rate is 25.0 percent. School A's two most recent official cohort default rates were 26.0 percent and 28.0 percent. As a result, School A is subject to sanction because it has three consecutive official cohort default rates that are 25.0 percent or greater.

School A decides to base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School A had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of those 200 students, 31 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School A's participation rate index is 0.03875.

$$\left( \frac{31 \div 200}{\text{borrowers total students}} \right) \times \frac{25.0 \text{ percent}}{\text{official cohort default rate}} = \frac{0.03875}{\text{participation rate index}}$$

Because the participation rate index is greater than 0.0375, School A's participation rate index appeal would be unsuccessful.

As another example, School B's official cohort default rate is 50.0 percent. School B's two most recent official cohort default rates were 20.0 percent and 31.0 percent. As a result, School B is subject to sanction only because of an official cohort default rate that is greater than 40.0 percent.

School B should base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School B had a total of 100 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of these 100 students, 10 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School B's participation rate index is 0.05.

$$\left( \frac{10 \div 100}{\text{borrowers total students}} \right) \times \frac{50.0 \text{ percent}}{\text{official cohort default rate}} = \frac{0.05}{\text{participation rate index}}$$

Because the participation rate index is less than 0.06015, School B's participation rate index appeal would be successful. However, if School B's two most recent official cohort default rates are 25.0 percent and 31.0 percent, School B is also subject to sanction because it will have three consecutive official cohort default rates that are 25.0 percent or greater. In that event, the participation rate index would have to be 0.0375 or less for the participation rate index appeal to be successful.

**Does a school need to wait until the official cohort default rate is released to prepare its participation rate index appeal?**

If a school is submitting a participation rate index appeal using a previous cohort fiscal year's official cohort default rate, it can prepare a complete participation rate index appeal before it receives its current year official cohort default rate.

If a school is submitting a participation rate index appeal using the current cohort fiscal year, it cannot perform the final step in the process (multiplying the participation ratio by the official cohort default rate) until the school receives its official cohort default rate. However, a school can perform the initial steps to identify the data to include in the calculation before it receives its official cohort default rate if it believes its current cohort fiscal year official cohort default rate will incur sanctions. In that way, a school can save time when it receives its official cohort default rate.

**What roles do the Department and data managers have in a school's participation rate index appeal?**

Schools submit participation rate index appeals directly to Default Management for review and consideration. Default Management is responsible for determining whether schools meet the established participation rate index criteria. Therefore, there is no role for data managers.

If a school submits an appeal to the wrong entity or address, the appeal might not be reviewed and the school could miss the deadline for submitting the appeal to Default Management.

If a data manager receives a participation rate index appeal from a school, it should immediately contact the school to inform it that the appeal must be sent to Default Management. The data manager should also indicate that the request must be sent to Default Management within the 30-calendar-day time frame. The data manager should then notify Default Management that the data manager has contacted the school.



## How does a school submit a participation rate index appeal?

Timing is critical when submitting a participation rate index appeal. A school must submit a participation rate index appeal to Default Management within 30 calendar days of receiving the notice of loss of eligibility. The participation rate index appeal must include the following items:

- ❖ A participation rate index appeal spreadsheet.

Figure 4.8.5 is a sample participation rate index appeal spreadsheet. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Using the information on the spreadsheet and the participation rate index formula, a school must calculate its participation rate index. As mentioned, to avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less. If both sanctions apply, the participation rate index must be 0.0375 or less.

If a school does not have any students who received FFELs or Direct Loans with loan periods that overlapped any part of the selected 12-month period, the school does not have to submit a spreadsheet to Default Management. However, to avoid sanctions, the school must send Default Management a letter that identifies the 12-month period and indicates that the school did not have any students who received loans with loan periods that overlapped the 12-month period.

**Figure 4.8.5**

Sample School  
Participation Rate Index  
Appeal Spreadsheet to  
Default Management

Type: Participation Rate Index Appeal  
Cohort FY: 2001  
From: Graphic Tech  
Code: 099999  
To: Default Management  
Code: N/A

Cohort Default Rate: 50.0%  
12-Month Period: 09/01/1999 - 08/31/2000  
Total Borrowers: 2  
Total Regular Students: 50  
PRI: 0.02

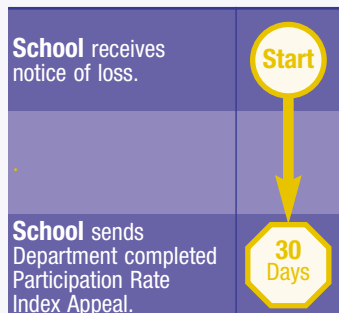
	A	B	C	D	E
1	Student's SSN	Student's Name	Student's Enrollment Dates	Loan Type (if any)	Loan Period
2	111-11-1111	Ross, Betsy	08/15/1999 – 05/26/2000	FFEL	08/15/1999 – 05/26/2000
3	222-22-2222	Adams, John	08/15/1999 – 05/26/2000	DL	08/15/1999 – 12/30/1999
4	333-33-3333	Washington, Martha	08/15/1999 – 12/30/1999	No	N/A

Date 10/14/2003

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- ❖ A letter on the school's letterhead.

The letter must include the school's OPE ID number, a statement indicating that the school is submitting a participation rate index appeal, the relevant cohort fiscal years on which the appeal is based, a certification that the information provided is true and correct under penalty of perjury, and a list of the other adjustments or appeals the school intends to submit to Default Management. The school must also note its participation rate index and the 12-month period the school selected. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Participation Rate Index Appeal." The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.8.6 is a sample participation rate index appeal letter.



Schools are not required to submit an independent auditor's attestation to support the school's participation rate index appeal.

If a school is submitting a participation rate index appeal for multiple cohort default rates, it should submit all the participation rate index appeals in the same mailing to Default Management. However, the school still needs to submit separate documentation for each participation rate index appeal.

#### **Which Department address does a school use for submitting a participation rate index appeal?**

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send participation rate index appeal materials to any other addresses at the Department.

Default Management recommends that a school send all participation rate index appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the participation rate index appeal as well as all electronic and hard-copy documentation submitted as a part of the participation rate index appeal process. If a school does not meet the 30-calendar-day time frame for submitting a participation rate index appeal, the participation rate index appeal will not be reviewed.

**Figure 4.8.6 - Sample School Participation Rate Index  
Appeal Letter to Default Management****GRAPHICTECH**

Graphic Tech  
9765 Arts Lane  
Coral City, Iowa 12345-9765  
1-987-654-3210

October 14, 2003

U.S. Department of Education  
Default Management  
ATTN: Participation Rate Index Appeal  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2001 Participation Rate Index Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a participation rate index appeal based on our cohort FY 2001 official cohort default rate. Our participation rate index is 0.02. This index is calculated using a 12-month period that began on September 1, 1999 and ended on August 31, 2000. I, the undersigned, certify under penalty of perjury that all information submitted in support of this participation rate index appeal is true and correct.

Graphic Tech is submitting its participation rate index appeal at this time; however, the school has also timely submitted an uncorrected data adjustment.

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,



Alexander Peachum  
President, Graphic Tech

Enclosure

**What happens after the school submits the participation rate index appeal?**

Default Management will review, using the standard of review described in 34 CFR 668.189(f), only the information submitted with the participation rate index appeal and will not review information submitted after the 30-calendar-day deadline. Default Management will send the school written notification of Default Management's decision. Default Management's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the participation rate index appeal is successful, Default Management will withdraw the notice of loss of eligibility. If the school's recalculated participation rate index is 0.0375 or less, the school will not be subject to a subsequent sanction based on that official cohort default rate. If the school was notified that it was subject to sanction and the participation rate index appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of the sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

**School to Default Management Participation Rate Index Appeal Checklist****Determine**

- ☐ Is the school subject to sanction? (See page [4.8-2](#))
- ☐ What is the school's participation rate index? (See page [4.8-4](#))

**Submit to Default Management**

- ☐ Spreadsheet (See page [4.8-7](#))
- ☐ Letter (See page [4.8-8](#))